

Fact Sheet on OMB's Mid-Session Review for Fiscal Year 2003

July 15, 2002

Bush Administration is in Denial

- With the current fiscal year more than three-fourths gone, the Bush administration has been forced to accept the reality that the unified federal budget will be in deficit by about \$165 billion in fiscal year 2002, and will remain in deficit in 2003 and 2004. This follows four straight years of unified budget surpluses.
- But the administration refuses to admit that the President's policies have contributed to a serious deterioration in the longer-term budget and economic outlook. It estimates that the deficit will begin to decline in 2003 (to \$109 billion in 2003 and \$48 billion in 2004). Such a quick turnaround in the budget outlook is unrealistic. Even the Republican staff of the Senate Budget Committee have projected that the deficit will grow further – to about \$200 billion – in 2003.

Uses Overly Optimistic Assumptions to Wish Away Deficits

- Despite the dramatic fall in revenues this year and the continuing decline in the stock market (which the administration blames for much of this year's revenue loss), the administration assumes revenues will grow by almost 9 percent in 2003 and only a little more slowly in 2004 and 2005. This highly optimistic assumption allows the administration to claim that there will be a unified budget surplus in 2005.
- The administration is even more unjustifiably optimistic about the years after 2005. Despite the fact that virtually everything that has happened since the President's budget was submitted last February indicates that short- and long-term revenue projections have been overly optimistic, the Mid-Session Review assumes that total federal revenues in fiscal years 2006 through 2012 will be *greater* than was assumed in the President's budget.

Raids Social Security Surplus to Claim Balance

- Furthermore, even if its projections were not overly optimistic, the administration's claim that we will return to surpluses starting in 2005 is misleading because it counts Social Security surpluses. By the administration's own estimate, there are deficits in every year through 2012 under the President's policies when Social Security surpluses are excluded from the calculation. (In order to hide this fact, the only table in the Mid-Session Review that shows non-Social Security deficits under the President's policies only goes through 2007. Backup information provided by the administration makes it clear that the deficits continue through 2012.)

Tries to Hide Negative Impact of Bush Tax Cuts

- And the administration still refuses to admit that the tax cuts the President pushed through last year are the major cause of the deterioration in the 10-year budget outlook since the President proposed the tax cuts in his February 2001 budget. A July 12 OMB press release falsely stated that the tax cuts are responsible for less than 15 percent of the reduction in the 10-year surplus projected for 2002 through 2011 since February 2001.
- But the administration's own estimates prove that this assertion is not true. According to Table 2 on page 6 of the Mid-Session Review, the President's tax cuts account for \$1.491 trillion – or 38 percent – of the \$3.92 billion reduction in the surplus projected for 2002 through 2011 since February 2001. (Table 2 shows that the surplus for that period would be reduced by a further \$1.273 trillion if policies the President proposes in the Mid-session Review are enacted, but this reduction should not be included in the deterioration in the outlook that has already occurred.)

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